

HOUSE BILL No. 1887

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.

Synopsis: Earned income deduction. Replaces the definition of qualifying child with the more expansive Internal Revenue Code definition of dependent for purposes of the earned income deduction. Increases the qualifying income level for the deduction from \$12,000 to \$18,000. Eliminates the phase out of the deduction amount. Makes the deduction permanent.

Effective: January 1, 2000.

Murphy

January 26, 1999, read first time and referred to Committee on Ways and Means.



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Introduced

First Regular Session 111th General Assembly (1999)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1998 General Assembly.

HOUSE BILL No. 1887

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3-2.5-1.5 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2000]: **Sec. 1.5. As used in this chapter, "dependent"**
4 **has the meaning set forth in Section 152 of the Internal Revenue**
5 **Code.**

6 SECTION 2. IC 6-3-2.5-6 IS AMENDED TO READ AS
7 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 6. A taxpayer
8 who, in a taxable year, has:

9 (1) at least one (1) ~~qualifying child;~~ **dependent;**

10 (2) Indiana total income from all sources of not more than ~~twelve~~
11 **eighteen** thousand dollars (~~\$12,000~~); (**\$18,000**); and

12 (3) Indiana total income from earned income that is at least eighty
13 percent (80%) of the taxpayer's Indiana total income;

14 is entitled to the deduction described in section 7 of this chapter from
15 the taxpayer's Indiana total income.

16 SECTION 3. IC 6-3-2.5-7 IS AMENDED TO READ AS
17 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 7. The deduction

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1 authorized under section 6 of this chapter is equal to ~~twelve~~ **eighteen**
 2 thousand dollars ~~(\$12,000)~~ **(\$18,000)** minus the amount of the
 3 taxpayer's Indiana total income.

4 SECTION 4. IC 6-3-4-8 IS AMENDED TO READ AS FOLLOWS
 5 [EFFECTIVE JANUARY 1, 2000]: Sec. 8. (a) Except as provided in
 6 subsection (d) **or (l)**, every employer making payments of wages
 7 subject to tax under IC 6-3, regardless of the place where such payment
 8 is made, who is required under the provisions of the Internal Revenue
 9 Code to withhold, collect, and pay over income tax on wages paid by
 10 such employer to such employee, shall, at the time of payment of such
 11 wages, deduct and retain therefrom the amount prescribed in
 12 withholding instructions issued by the department. The department
 13 shall base its withholding instructions on the adjusted gross income tax
 14 rate for persons, on the total rates of any income taxes that the taxpayer
 15 is subject to under IC 6-3.5, and on the total amount of exclusions the
 16 taxpayer is entitled to under IC 6-3-1-3.5(a)(3) and IC 6-3-1-3.5(a)(4).
 17 Such employer making payments of any wages:

18 (1) shall be liable to the state of Indiana for the payment of the tax
 19 required to be deducted and withheld under this section and shall
 20 not be liable to any individual for the amount deducted from ~~his~~
 21 **the individual's** wages and paid over in compliance or intended
 22 compliance with this section; and

23 (2) shall make return of and payment to the department monthly
 24 of the amount of tax which under IC 6-3 and IC 6-3.5 ~~he the~~
 25 **employer** is required to withhold.

26 (b) An employer shall pay taxes withheld under subsection (a)
 27 during a particular month to the department no later than thirty (30)
 28 days after the end of that month. However, in place of monthly
 29 reporting periods, the department may permit an employer to report and
 30 pay the tax for:

31 (1) a calendar year reporting period, if the average monthly
 32 amount of all tax required to be withheld by the employer in the
 33 previous calendar year does not exceed ten dollars (\$10);

34 (2) a six (6) month reporting period, if the average monthly
 35 amount of all tax required to be withheld by the employer in the
 36 previous calendar year does not exceed twenty-five dollars (\$25);
 37 or

38 (3) a three (3) month reporting period, if the average monthly
 39 amount of all tax required to be withheld by the employer in the
 40 previous calendar year does not exceed seventy-five dollars (\$75).

41 An employer using a reporting period (other than a monthly reporting
 42 period) must file the employer's return and pay the tax for a reporting

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period no later than the last day of the month immediately following the close of the reporting period. If an employer files a combined sales and withholding tax report, the reporting period for the combined report is the shortest period required under this section, section 8.1 of this chapter, or IC 6-2.5-6-1.

(c) For purposes of determining whether an employee is subject to taxation under IC 6-3.5, an employer is entitled to rely on the statement of ~~his~~ **an** employee as to ~~his~~ **the employee's** county of residence as represented by the statement of address in forms claiming exemptions for purposes of withholding, regardless of when the employee supplied the forms. Every employee shall notify ~~his~~ **the employee's** employer within five (5) days after any change in ~~his~~ **the employee's** county of residence.

(d) A county that makes payments of wages subject to tax under IC 6-3:

(1) to a precinct election officer (as defined in IC 3-5-2-40.1); and
 (2) for the performance of the duties of the precinct election officer imposed by IC 3 that are performed on election day;
 is not required, at the time of payment of the wages, to deduct and retain from the wages the amount prescribed in withholding instructions issued by the department.

(e) Every employer shall, at the time of each payment made by ~~him~~ **the employer** to the department, deliver to the department a return upon the form prescribed by the department showing:

(1) the total amount of wages paid to ~~his~~ **the employer's** employees;
 (2) the amount deducted therefrom in accordance with the provisions of the Internal Revenue Code;
 (3) the amount of adjusted gross income tax deducted therefrom in accordance with the provisions of this section;
 (4) the amount of income tax, if any, imposed under IC 6-3.5 and deducted therefrom in accordance with this section; and
 (5) any other information the department may require.

Every employer making a declaration of withholding as provided in this section shall furnish ~~his~~ **the employer's** employees annually, but not later than thirty (30) days after the end of the calendar year, a record of the total amount of adjusted gross income tax and the amount of each income tax, if any, imposed under IC 6-3.5, withheld from the employees, on the forms prescribed by the department.

(f) All money deducted and withheld by an employer shall immediately upon such deduction be the money of the state, and every employer who deducts and retains any amount of money under the

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provisions of IC 6-3 shall hold the same in trust for the state of Indiana and for payment thereof to the department in the manner and at the times provided in IC 6-3. Any employer may be required to post a surety bond in the sum the department determines to be appropriate to protect the state with respect to money withheld pursuant to this section.

(g) The provisions of IC 6-8.1 relating to additions to tax in case of delinquency and penalties shall apply to employers subject to the provisions of this section, and for these purposes any amount deducted or required to be deducted and remitted to the department under this section shall be considered to be the tax of the employer, and with respect to such amount the employer shall be considered the taxpayer. In the case of a corporate or partnership employer, every officer, employee, or member of such employer, who, as such officer, employee, or member is under a duty to deduct and remit such taxes shall be personally liable for such taxes, penalties, and interest.

(h) Amounts deducted from wages of an employee during any calendar year in accordance with the provisions of this section shall be considered to be in part payment of the tax imposed on such employee for **his the employee's** taxable year which begins in such calendar year, and a return made by the employer under subsection (b) shall be accepted by the department as evidence in favor of the employee of the amount so deducted from **his the employee's** wages. Where the total amount so deducted exceeds the amount of tax on the employee as computed under IC 6-3 and IC 6-3.5, the department shall, after examining the return or returns filed by the employee in accordance with IC 6-3 and IC 6-3.5, refund the amount of the excess deduction. However, under rules promulgated by the department, the excess or any part thereof may be applied to any taxes or other claim due from the taxpayer to the state of Indiana or any subdivision thereof. No refund shall be made to an employee who fails to file **his the employee's** return or returns as required under IC 6-3 and IC 6-3.5 within two (2) years from the due date of the return or returns. In the event that the excess tax deducted is less than one dollar (\$1), no refund shall be made.

(i) This section shall in no way relieve any taxpayer from **his the taxpayer's** obligation of filing a return or returns at the time required under IC 6-3 and IC 6-3.5, and, should the amount withheld under the provisions of this section be insufficient to pay the total tax of such taxpayer, such unpaid tax shall be paid at the time prescribed by section 5 of this chapter.

(j) Notwithstanding subsection (b), an employer of a domestic



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1 service employee that enters into an agreement with the domestic
 2 service employee to withhold federal income tax under Section 3402
 3 of the Internal Revenue Code may withhold Indiana income tax on the
 4 domestic service employee's wages on the employer's Indiana
 5 individual income tax return in the same manner as allowed by Section
 6 3510 of the Internal Revenue Code.

7 (k) To the extent allowed by Section 1137 of the Social Security
 8 Act, an employer of a domestic service employee may report and remit
 9 state unemployment insurance contributions on the employee's wages
 10 on the employer's Indiana individual income tax return in the same
 11 manner as allowed by Section 3510 of the Internal Revenue Code.

12 (l) **An employer is exempt from the withholding requirements**
 13 **of this section for an individual if the individual certifies to the**
 14 **employer, on forms prescribed by the department, that the**
 15 **individual's wages for the calendar year from the employer will:**

16 (1) **comprise more than eighty percent (80%) of the**
 17 **individual's Indiana total income (as defined in IC 6-3-2.5-3);**
 18 **and**

19 (2) **not exceed fifteen thousand dollars (\$15,000).**

20 (m) A person who knowingly fails to remit trust fund money as set
 21 forth in this section commits a Class D felony.

22 SECTION 5. THE FOLLOWING ARE REPEALED [EFFECTIVE
 23 JANUARY 1, 2000]: IC 6-3-2.5-1; IC 6-3-2.5-4; IC 6-3-2.5-10.

24 SECTION 6. [EFFECTIVE JANUARY 1, 2000] **IC 6-3-2.5, as**
 25 **amended by this act, applies to taxable years beginning after**
 26 **December 31, 1999.**

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